

Utah's Economy - 2000

According to the labor-market-related indicators, Utah's economy grew relatively slowly during 2000, a continuation of the 1998-99 trend. Utah's nonfarm employers added 26,400 net new jobs in 2000, a growth rate of 2.5 percent. For the past three years, job growth has been stable but slightly slower than the long-term average of 3.5 percent. Similarly, the unemployment rate has remained largely unchanged for seven years. In 2000, it averaged 3.2 percent, down from 1999's 3.7 percent. An average of 35,800 individuals were out of work in 2000, 4,800 fewer than in 1999.

Job Growth by Industry

The 2000 rate of job growth in Utah's major industrial divisions ranged from minus 1 percent in manufacturing and construction to 6 percent in services. Industrial diversity, where Utah ranks 13th among states, is one of the factors enabling Utah's economy to consistently prosper.

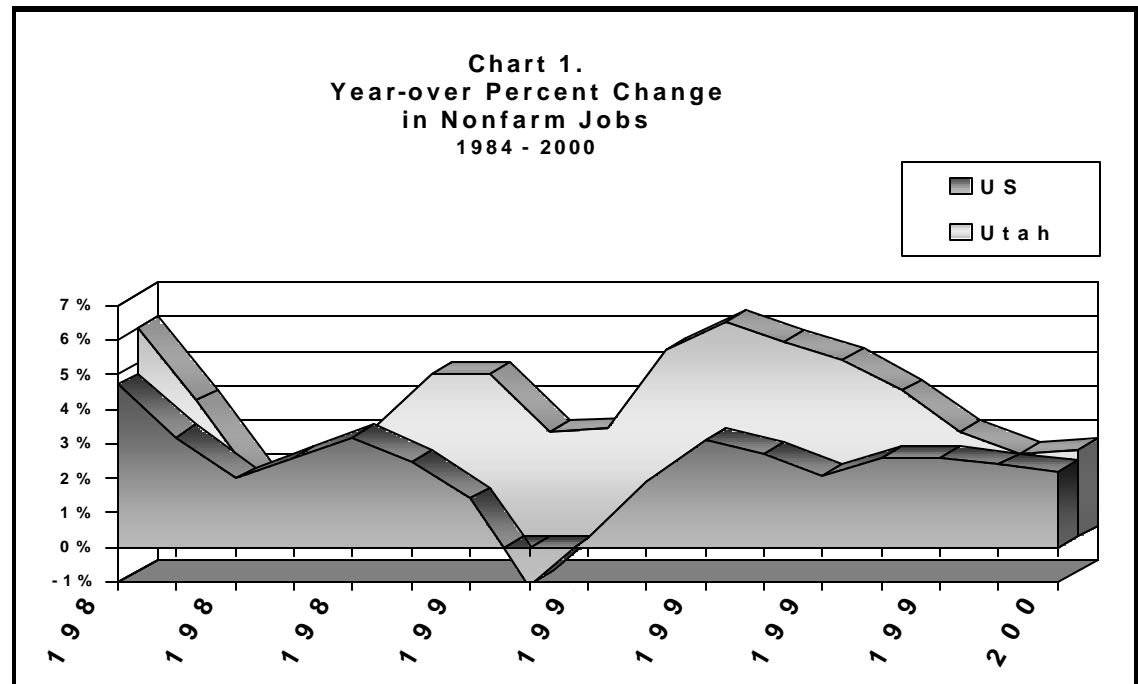
Construction. A record-breaking 11-year expansion in Utah's construction indus-

try has ended. Over that period, the number of construction jobs nearly tripled. The year 2000's net loss of about 700 jobs (-1.0 percent) is the beginning of the long-anticipated downturn in the industry as several major projects are nearing completion.

Manufacturing. During most of the 1990s, Utah's manufacturing payrolls expanded rapidly, gaining 26 percent from

1991 to 1998. By contrast, the United States' gain was only 2 percent. However, in both 1999 and 2000, about 1,400 jobs (-1.0 percent) were trimmed from manufacturing payrolls, which is in line with the U.S. experience.

Transportation/Communications/Utilities. The transportation/communications/utilities division added 1,400 net new jobs in 2000 for a growth rate of 2.4 percent.



This is a slight improvement over 1999's 1.7-percent expansion. However, only communications exhibited growth; the other industries were largely stagnant.

Trade. The trade division's job growth has slowed dramatically from its breakneck 7-percent pace of 1994 and 1995. Creation of 3,400 jobs in 2000, a growth rate of 1.4 percent, is slightly slower than the 1999 pace. Robust expansion in this division is often followed by sluggish growth as new businesses seek to sustain their viability in the face of a slowing economy and fierce competition.

Finance/Insurance/Real Estate. Each of the component industries of the finance/insurance/real estate division suffered a cyclical slowdown in 2000. The division's net employment growth was thus only 700 (1.2 percent), one-half of the 1999 expansion.

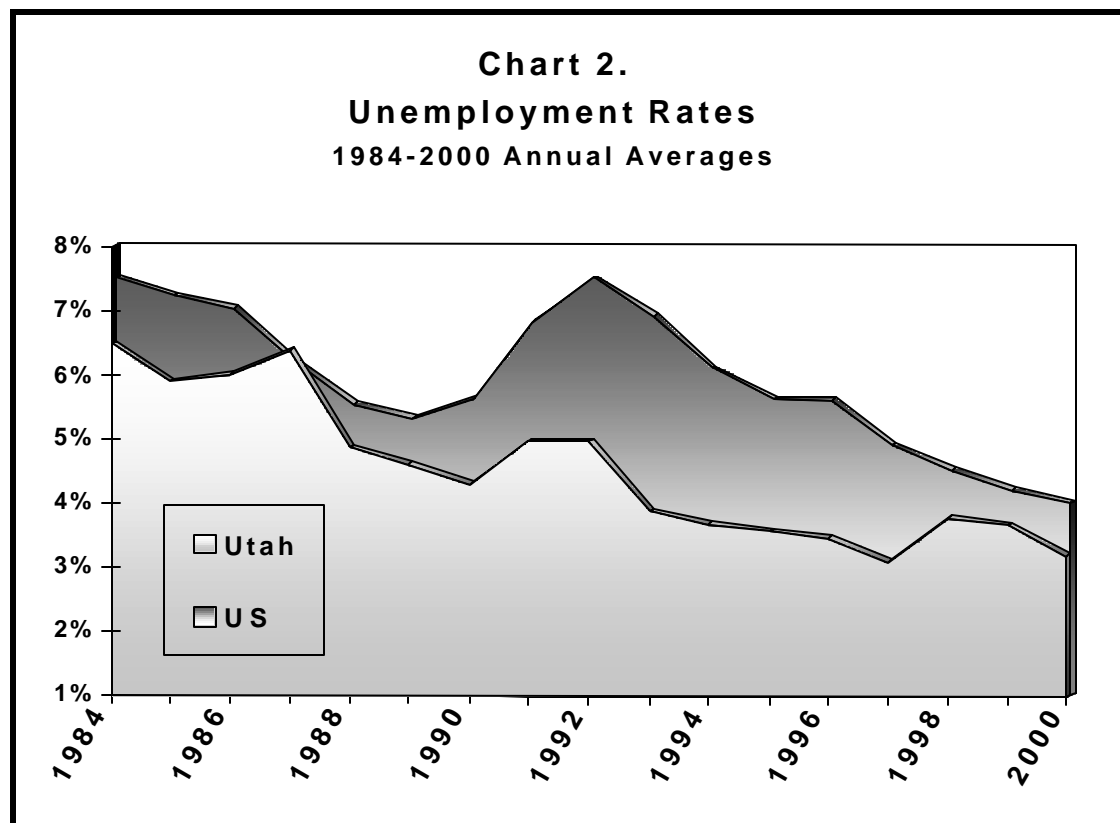
Services. The 16,700 new services-division jobs in 2000 comprise 63 percent of Utah's net job gain. The year's growth rate of 5.7 percent reflects an acceleration from 1999's still-rapid 4.7 percent. Computer services saw astounding expansion of 6,400 jobs (28 percent). Most other industries registered at least moderate growth.

Mining. Utah's mining employment in-

creased by nearly 300 (3.5 percent) in 2000. Oil and gas extraction activities added nearly 500 jobs through the year. However, these were mostly offset by cutbacks of nearly 400 coal mining jobs in the last half of 2000. Metal mining and quarrying remained stable.

Public Sector (government). The modest employment expansion recently typical of government was disrupted in 2000

as hundreds of temporary federal employees were working on the 2000 Census. This, coupled with ongoing expansion of about 1,000 jobs at Hill Air Force Base, caused federal job growth to leap by 5 percent. Moreover, state and local government expansion both jumped to about 3 percent from 1- and 2-percent respectively. Total government thus grew by about 6,000 jobs, a 3.4-percent increase.



Wages on the Upswing

In 2000, Utah's average annual nonagricultural pay was \$28,800—up 4.8 percent from the 1999 average, which increased by 3.8 percent. This is the sixth year in a row that average wage increases in Utah have outpaced increases in inflation, as measured by the U.S. Consumer Price Index (CPI-U). Since the early 1980s, growth in wages for Utahns covered under unemployment insurance laws have lagged far behind national wage increases. Utah annual pay as a percentage of U.S. annual pay has declined from a high of 96.3 percent in 1981 to a low of 82.8 percent in 2000.

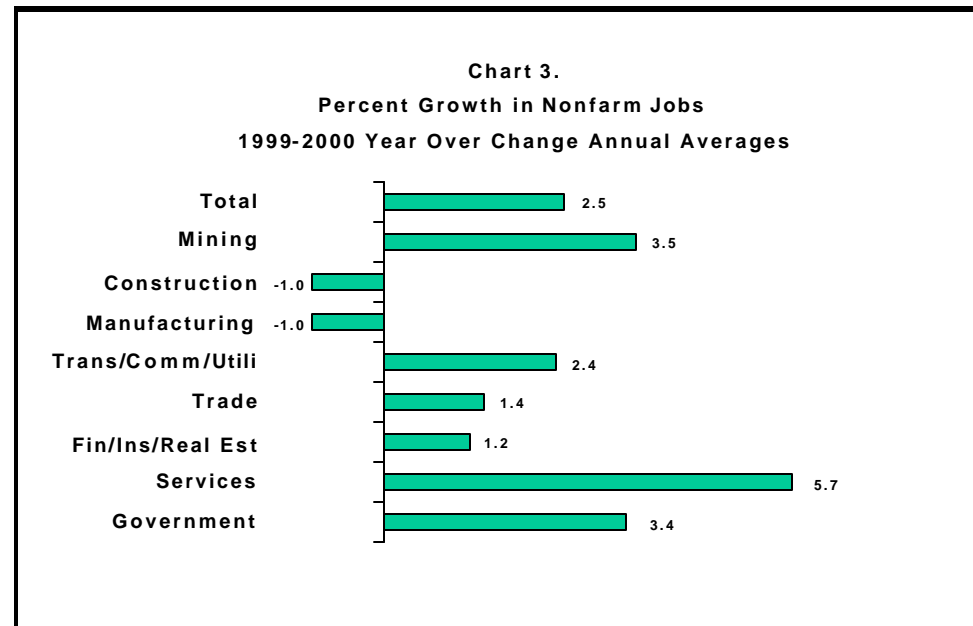
The loss of high-paying goods-producing jobs in the early and mid-80s helped contribute to the decline. However, Utah's demographics also play a part. Utah has a large percentage of young people in the labor market and a relatively young labor force. Young people are usually paid less than older workers. In addition, Utah has a much higher percentage of individuals working part-time than the U.S. in general, which also tends to pull the average wage down. Shortages of workers from 1996 through 2000 are thought to be a factor in the relatively rapid wage increases of those years.

Wide differences exist between industry divisions' 2000 average annual pay. Mining's \$48,300 is highest, and trade's \$21,300 is lowest. Within trade, the average annual pay of jobs at "eating and drinking places" is only \$10,100. Low hourly pay and pervasive part-time employment are responsible for this condition.

Major Employers

With about 22,000 employees, the State of Utah ranks as the largest employer. Intermountain Health Care (IHC), a network of hospitals and clinics, ranks 2nd

with roughly 22,000 jobs. Six of the next nine largest employers provide educational services. Brigham Young University and the University of Utah (including the University Hospital) and each have roughly 17,000 employees. Granite, Jordan, and Davis school districts and Utah State University each have between 6,500 and 8,500 workers. Hill Air Force Base, with 11,000 civilian jobs, occupies the number five rank. Convergys, a multi-county telemarketing company employ-



ing roughly 8,500, is in fifth place. Wal-Mart Stores rounds out Utah's top ten largest employers.

Labor Force Composition

An average of 72 percent of Utah's civilian, noninstitutionalized population over the age of 15 participated in the labor force in 2000. This rate ranks significantly higher than the national average of 67 percent. Both Utah women and men take part in the labor market at higher rates than their national counterparts.

One reason for Utah's high labor force participation is its young population. Moreover, Utah's teenagers and young adults are much more likely to work than their U.S. peers. In addition, Utah's population age 55 and older accounts for a relatively small share of its adult population, and these older people are also more likely to work than their U.S. peers. Other factors are: 1) Utah's large families and lower than average wages may influence families to have more than one wage earner, and 2) jobs are readily available.

Roughly 97.5 percent of Utah workers are employed in nonagricultural industries. Agriculture thus accounts for about 2.5 percent. Of the nonagricultural workers,

7 percent are self-employed, or private household, or unpaid family workers. Thus, about 90 percent of employed people are nonagricultural wage and salaried workers.

Unemployment

About 14,000 (38 percent) of Utah's 36,000 unemployed in 2000 had lost their jobs, compared to 12,000 (30 percent) in 1999. Correspondingly, job leavers were considerably fewer, a drop of nearly 4,000 to 3,800. Re-entrants were fewer as well, totaling 15,600 in 2000, nearly one-half of all unemployed. About 3,000 unemployed workers were new entrants

to the labor force in 2000. Of course, Utah's strong economy has enabled an unknown number of people to move directly from out-of-the-labor-force to employment without a period of unemployment.

Conclusion

Utah's economy has achieved an orderly transition from robust growth to maintenance growth, but it is still thriving. Most industries are holding their own. Unemployment is stable and low. Moreover, wage increases continue to outpace inflation. *

Kenneth E. Jensen
Senior Economist

